



STATE OF MISSISSIPPI
SECRETARY OF STATE
ERIC CLARK

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June 29, 2004

W. James Threadgill, Jr.
BancorpSouth
Post Office Box 789
Tupelo, Mississippi 38802-0789

Reference: **LETTER OF CAUTION**
Number S-03-0268

Dear Mr. Threadgill:

The Business Regulation and Enforcement Division of the Office of the Secretary of State of the State of Mississippi (hereinafter "Division"), on behalf of the Secretary of State, having the power to administer and to enforce the provisions of the Mississippi Securities Act, Miss. Code Ann. §75-71-101 *et seq.* (Rev. 2000), hereby issues this Letter of Caution to BancorpSouth Investment Services, Inc. (hereinafter "BIS") as follows:

Introduction

1. BancorpSouth Investment Services, Inc. ("BIS") is a broker-dealer and investment adviser registered with the Secretary of State of the State of Mississippi.
2. The Division conducted an examination of the Jackson, Mississippi main office of BIS on July 21-25, 2003.
3. BIS elects permanently to waive any right to a hearing and appeal under Miss. Code Ann. §75-71-331 (Rev. 2000) and Miss. Code Ann. §75-71-601 (Rev. 2000) with respect to this Letter of Caution.
4. BIS admits the jurisdiction of the Secretary of State of the State of Mississippi as to all matters herein.

Facts

5. BIS is a Mississippi corporation with its principal place of business in Jackson, Mississippi. BIS is currently registered with the Secretary of State as a broker-dealer and investment adviser firm.

6. During the course of the Division's examination, the Division documented the following deficiencies:
 - (a) A memo dated May 23, 2003, regarding the 3rd and 4th Quarter 2002 Compliance Review from Shonda De Verteuil, Compliance Officer, noted that representative John Gaithright had not properly completed a Variable Annuity Disclosure form for 5 clients, and that the forms did not disclose the surrender charges of the annuities. The clients were as follows:
 - Phyllis Jones (purchase date 7/5/2002)
 - Nancy Harrigill (purchase date 8/13/2002)
 - Claude Henson (purchase date 10/17/2002)
 - Lorena Caston (purchase date 8/30/2002)
 - Geraldine Magee (purchase date unknown)
 - (b) A subsequent e-mail memo dated July 10, 2003 from Linda Norrid to Jay Gaithright notified the representative of the audit finding and required Gaithright to obtain new forms signed by the clients properly disclosing the annuity surrender charges. New signed disclosure documents obtained in July 2003 were evidenced in these customers' files during the Division's examination. For three of these clients, the correction was made approximately one year after the original purchase date.
 - (c) During the examination by the Division, a sampling of 53 variable annuity files revealed that twelve additional client files contained the same type of incomplete variable annuity disclosure pages, the majority of these coming from representative Gaithright. These clients were:
 - Jerry Stewart (purchase date 4/18/2003)
 - Tensie Crowder (purchase date 4/24/2003)
 - Ronnie Ray (purchase date 10/2/2002)
 - Mary Graham (purchase date 9/10/2002)
 - Richard Abraham (purchase date 9/19/2002)
 - Linda Abraham (purchase date 9/19/2002)
 - Linda Haddox (purchase date 7/31/2002)
 - Karen Brackin (purchase date 7/31/2002)
 - Marjorie Wisener (purchase date 7/26/2002)
 - Kathleen Tusing (purchase date 7/25/2002)
 - Clifton Sibley (purchase date 10/2/2002)
 - Linda Montgomery (purchase date 8/26/2002)
 - (d) Upon the request of the Division, BIS conducted an audit of 100% of Mr. Gaithright's variable annuity customer files and certified that no other discrepancies were noted in addition to the above customers.
7. BIS has undertaken the necessary steps to correct these deficiencies.

Conclusions

8. The Secretary of State has jurisdiction over this matter pursuant to Miss. Code Ann. §75-71-107 (Rev. 2000).
9. BIS is required to reasonably supervise its agents as provided in Miss. Code Ann. §75-71-321(b) (Rev. 2000).

On the basis of the above, the Division hereby issues this **LETTER OF CAUTION** to BIS and cautions that such actions as described in the Facts above may be considered to be a violation of BIS's duty to reasonably supervise its agents pursuant to Miss. Code Ann. §75-71-321(b) (Rev. 2000).

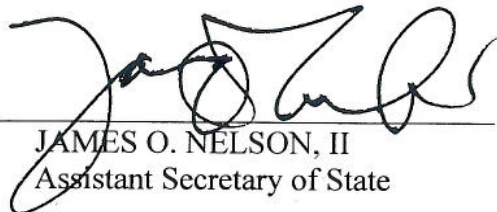
Requirements & Agreements

The Division hereby requires and BIS hereby agrees to:

10. Reimburse the Division for its costs incurred in performing the examination in the amount of \$2,000.00 within fifteen (15) days of receipt of this Letter of Caution.
11. BIS will institute and maintain the additional and corrective measures outlined in its correspondence to the Division dated February 25, 2004.
12. BIS will submit a letter to the Division within thirty (30) days from the date of this Letter of Caution detailing the steps it has taken to address the issues raised in the Facts section above and not otherwise detailed in its response letter dated February 25, 2004.
13. BIS will comply with the Mississippi Securities Act and Rules promulgated there under.

ERIC CLARK
Secretary of State

BY: _____


JAMES O. NELSON, II
Assistant Secretary of State